

**SANTA CLARA CITY
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

**WITH
REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
City Council
Santa Clara City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Clara City, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Santa Clara City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Clara City, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2005, on our consideration of Santa Clara City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on page 3-9, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santa Clara City, Utah's basic financial statements. The introductory section and the required supplemental information listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Santa Clara City, Utah. The required supplemental information listed in the table of contents and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Savage Esplin & Radmall PC".

SAVAGE, ESPLIN & RADMALL, PC

November 9, 2005

Santa Clara City, Utah Management's Discussion and Analysis

This section of Santa Clara's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights/Executive Summary

- The assets of Santa Clara City exceeded its liabilities at the close of the most recent fiscal year by \$29,610,318 (net assets). Of this amount, \$3,591,509 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors (refer to table entitled SANTA CLARA CITY'S Net Assets).
- During the year, the City's expenses were \$682,884 less than the \$4,713,753 generated in taxes and other revenues for governmental programs (refer to table entitled SANTA CLARA CITY'S Changes in Net Assets).
- As of the close of the current fiscal year, Santa Clara City's governmental funds reported combined ending fund balances of \$1,918,946. Approximately 7.83% of this total amount, \$150,326 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$150,326, or 4.92% of total general fund expenditures.
- Santa Clara City's total long-term debt increased by \$973,532 or 21.4% during the current fiscal year. The key factor for this increase was the State HB240 loan and Zion's Fire Equipment leases netted with the annual principal payments on the bond debt service (refer to table entitled SANTA CLARA CITY'S Outstanding Debt).
- At the end of the current fiscal year, Santa Clara City's general fund expenditures exceed general fund revenues by \$771,160. The majority of this difference \$629,042, was from a transfer to the Capital Projects Fund.

Overview of Financial Statements

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information and single audit. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements:
 - The government funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses. Santa Clara City, utilizing three proprietary funds, manages three business activities: water, sewer and electric.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required

supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets- the difference between the City's assets and liabilities- is one way to measure the city's financial health, or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To access the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the city are divided into two categories:

- *Governmental activities*-Most of the City's basic services are included here, such as public safety, public works, parks department and general administration. Property taxes, sales taxes, franchise fees and state and federal grants finance most of these activities.
- *Business-type activities*-The City charges fees to customers to help it cover the costs of services it provides. The City's water, sewer and electric activities are included here.

Fund Financial Statements. The fund financial statements provide more detailed information about the City's most significant *funds*--not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding (revenues) and spending (expenditures) for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes (like the City's special impact fee fund used to track collection and expenditure of certain impact fees).

The City has two kinds of funds:

- *Governmental funds*-Most of the City's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

-In fact, the City's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Santa Clara, assets exceed liabilities by \$29,610,318 at the close of the most recent fiscal year.

By far the largest portion of Santa Clara's net assets (73.18%) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. Santa Clara City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Santa Clara's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Santa Clara City's Net Assets

	Governmental Activities 6/30/2005	Business-type Activities 6/30/2005	Total 6/30/2005
Current and other assets	\$ 3,463,063	\$ 6,427,237	\$ 9,890,300
Capital assets	18,021,286	9,156,106	27,177,392
Total Assets	21,484,349	15,583,343	37,067,692
Long-term liabilities outstanding	598,527	3,541,116	4,139,643
Other liabilities	2,372,931	686,137	3,059,068
Total Liabilities	2,971,458	4,227,253	7,198,711
Net Assets:			-
Invested in capital assets, net of related debt	16,367,489	5,301,767	21,669,256
Restricted net assets	1,768,620	2,580,933	4,349,553
Unrestricted net assets	118,119	3,473,390	3,591,509
Total Net Assets	\$ 18,254,228	\$ 11,356,090	\$ 29,610,318

Percentages of Net Assets

Net Assets	Government Activity	Business-type Activity	Total
Invested in capital assets, net of related debt	89.66%	46.69%	73.18%
Restricted net assets	9.69%	22.73%	14.69%
Unrestricted net assets	0.65%	30.58%	12.13%
Total net assets	100.00%	100.00%	100.00%

An additional portion of Santa Clara's net assets (14.69%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$3,591,509 (12.13%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Santa Clara is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate government and business-type activities.

Governmental activities. Governmental activities Increased Santa Clara's net assets by \$682,684.

Business-type activities. Business-type activities increased Santa Clara's net assets by \$2,087,578, accounting for the growth in the government's net assets (refer to table).

Santa Clara City's Changes in Net Assets
For the fiscal year ended June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for services	859,547	4,130,288	4,989,835
Operating grants and contributions	152,224	-	152,224
Capital grants and contributions	2,465,802	1,815,686	4,281,488
General Revenue:			-
Taxes	1,016,462	-	1,016,462
Gain on Sale of Assets	122,315	-	122,315
Other	97,402	182,146	279,548
Total Revenues	<u>4,713,752</u>	<u>6,128,120</u>	<u>10,841,872</u>
Expenses:			
General government	577,714		577,714
Community development	18,182		18,182
Public safety	590,394		590,394
Public works	2,532,453		2,532,453
Parks, recreation, & public property	285,922		285,922
Interest and long-term debt	26,203		26,203
Water		1,053,385	1,053,385
Sewer		439,098	439,098
Power		2,548,059	2,548,059
Total Expenses	<u>4,030,868</u>	<u>4,040,542</u>	<u>8,071,410</u>
Increase (Decrease) in net assets	682,884	2,087,578	2,770,462
Net assets - 7/1/04	17,571,344	9,268,512	26,839,856
Net assets - 6/30/05	<u>18,254,228</u>	<u>11,356,090</u>	<u>29,610,318</u>

Financial Analysis of the Government's Funds

As noted earlier, Santa Clara uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government funds. The focus of Santa Clara's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Santa Clara's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Santa Clara's governmental funds reported combined ending fund balances of \$1,918,946, an increase of \$571,351 in comparison with the prior year; 150,326 or (7.83%) of the fund balance constitutes *unreserved/undesignated* fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* (\$1,768,620 or 92.17%) The reserved fund balance indicates that the balance is not available for new spending because it has already been committed. In this case the balance is committed to Class C road projects (\$110,311), Swiss Days annual community celebration (\$9,654), Santa Clara Princess Pageant (\$1,019), Fire Equipment Debt Service (\$61,745), Impact Fee projects (\$271,396), Flood Damage (\$633,931), Capital Projects (\$641,360) and Special Improvement District projects (\$39,204).

The general fund is the chief operating fund of Santa Clara. At the end of the current fiscal year, *unreserved/undesignated* fund balance of the general fund was \$150,326, while total fund balance is \$333,055. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.92% of total general fund expenditures, while total fund balance represents 10.9% of that same amount.

- The fund balance of Santa Clara City's general fund decreased by \$771,160 or 69.8%. The majority of this decrease, \$629,042 or 57% is from a transfer to the capital projects fund.
- The Special Revenue fund was setup to account for the revenues and expenditures resulting from the 2005 flood. The fund balance of \$633,931 is reserved for flood damage expenditures.

Other governmental funds (capital projects fund, special impact fee fund, special improvement district fund) have a total fund balance of \$951,960, all of which is reserved for designated capital expenditures and the procurement of impact fee related items. The fund balance experienced a net increase of \$714,580. This increase is primarily due to the transfer of \$629,042 from the general fund to the capital projects fund.

Proprietary funds. Santa Clara City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for Water, Sewer and Electric utilities at the end of the year totaled \$3,473,390. Additionally, all three enterprise funds experienced increases in total net assets at the end of the year.

General Fund Budgetary Highlights

The general fund was amended twice during the year. The first amendment was completed on June 8, 2005, increasing the General Fund's budget by \$925,535, for the following purposes: 1) account for one time grant monies received by the City for construction of the Archie H. Gubler Park and Trail segment along Pioneer Parkway; 2) account for funding and expenses to complete improvements to Lava Flow Drive and Arrowhead Trail roads and storm water systems and 3) increase the general fund's appropriations to permit completion of various small miscellaneous projects.

On June 29, 2005, the City Council approved a second amendment increasing the General Fund's budget by 20.43% or \$599,042. The primary purpose for the second amendment was to account for the transfer of a portion of the designated fund balance and a portion of the unrestricted fund balance to the Capital Projects Fund.

Capital Asset and Debt Administration

Capital assets. Santa Clara City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$27,177,392 (net of accumulated depreciation). This investment in capital assets includes water stock, land, buildings, improvements, infrastructure (roads, water lines, sewer lines, power lines), autos and trucks, machinery and equipment, office.

SANTA CLARA CITY'S Net Capital Assets (net of depreciation)

	Governmental Activities 2005	Business-type Activities 2005	Total 2005
Water Stock	\$ -	\$ 346,321	\$ 346,321
Land	1,206,841	50,000	1,256,841
Buildings	614,842	73,184	688,026
Improvements	964,339	304,700	1,269,039
Infrastructure	14,390,022	8,019,237	22,409,259
Autos & Trucks	613,225	101,288	714,513
Machinery & Equipment	227,846	261,376	489,222
Office	4,171	-	4,171
Total	<u>\$ 18,021,286</u>	<u>\$ 9,156,106</u>	<u>\$ 27,177,392</u>

This year's major capital asset additions included:

- Continued development of the Archie H. Gubler Park.
- Fire truck and equipment purchases
- Other fleet and equipment expansion and replacement.
- Dedication of numerous public roads within new subdivision developments

Santa Clara City in subsequent years intends to depreciate road infrastructure and expense maintenance work done on the roads. Any maintenance project(s) that would extend the life of the road will be captured as a fixed asset and depreciated in subsequent years. All new roads received by the City from new subdivision development will be added to the City's road infrastructure assets.

Long-term debt. At year-end the City had \$4,272,000 in bonds outstanding—a decrease of 6.97% over the last year—as shown in the table entitled *SANTA CLARA CITY'S Outstanding Debt*. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

Santa Clara City's Outstanding Debt General Obligation and Revenue Bonds

	Govnmntl. Activities		Business-type Activities		Total		% Change 2003-2004
	2005	2004	2005	2004	2005	2004	
General Obligation Bonds	212,000	246,000	-	-	212,000	246,000	13.82%
Revenue Bonds	-	-	3,725,000	4,026,000	3,725,000	4,026,000	7.48%
Total	<u>\$ 212,000</u>	<u>\$ 246,000</u>	<u>\$ 3,725,000</u>	<u>\$ 4,026,000</u>	<u>\$ 3,937,000</u>	<u>\$ 4,272,000</u>	7.84%

Economic Factors and Next Year's Budgets and Rates

- The property tax levy for FY 2005-006 is .001576 mills.
- Population growth, as measured by building permit issuance, remains robust at 6.9%.
- City issued a record number of building permits in 2005: 151 permits.

These indicators were taken into account when adopting the FY 2005-2006 budget. The City's general fund budget for FY 2005-2006 increased by 8.98% to \$2,186,065. This increase was primarily due to increased costs associated with new positions, increased health insurance costs and a salary adjustment paid to City employees.

- The City's three enterprise funds (business-type activities) were balanced without utilizing reserves; moreover, depreciation/renewal & replacement costs were fully funded in all of the three funds.

The City continues reconstruction of damage sustained in the January 2005 flood event. It is anticipated that reconstruction of damaged infrastructure will conclude within FY 2005-2006. The City continues its aggressive pursuit and interaction with federal and state funding agencies to assist in the coverage of reconstruction costs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, 2721 Santa Clara Drive, Santa Clara City, Utah, 84765.

CITY OF SANTA CLARA, UTAH
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 416,017	\$ 2,950,064	\$ 3,366,081
Accounts Receivable (net)	391,793	688,466	1,080,259
Due from other Government Units	664,469	-	664,469
Prepaid Expenses	6,340	14,793	21,133
Restricted Cash	1,725,781	2,580,933	4,306,714
Inventory	-	109,164	109,164
Assessments Receivable	-	24,600	24,600
Deferred Bond Issue Costs	-	32,969	32,969
Original Issue Discounts	-	26,248	26,248
Capital Assets (net of depreciation)	-	346,321	346,321
Water Stock	-	50,000	1,256,841
Land	1,206,841	73,184	688,026
Buildings	614,842	304,700	1,269,039
Improvements	964,339	8,019,237	22,409,259
Infrastructure	14,390,022	101,288	714,513
Autos & Trucks	613,225	261,376	489,222
Machinery & Equipment	227,846	-	4,171
Office Equipment	4,171	-	-
Total Assets	<u>\$21,225,686</u>	<u>\$15,583,343</u>	<u>\$36,809,029</u>
LIABILITIES			
Accounts Payable	\$ 1,156,125	\$ 237,748	\$ 1,393,873
Accrued Liabilities	14,992	73,486	88,478
Deposits Payable	63,908	35,432	99,340
Security Holdings	50,429	-	50,429
Deferred Compensation	32,207	-	32,207
Interest Payable	15,462	-	15,462
Bonds & Notes Payable			
Due within one year	969,995	318,000	1,287,995
Due in more than one year	179,000	3,407,000	3,586,000
Capital Leases			
Due within one year	69,813	21,471	91,284
Due in more than one year	419,527	134,116	553,643
Total Liabilities	<u>\$ 2,971,458</u>	<u>\$ 4,227,253</u>	<u>\$ 7,198,711</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	\$16,367,489	\$ 5,301,767	\$21,669,256
Restricted Net Assets	1,768,620	2,580,933	4,349,553
Unrestricted Net Assets	118,119	3,473,390	3,591,509
Total Net Assets	<u>\$18,254,228</u>	<u>\$11,356,090</u>	<u>\$29,610,318</u>

The notes to the financial statements are an integral part of this statement
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Program Revenues

General Revenues:

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CITY OF SANTA CLARA, UTAH
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
AS OF JUNE 30, 2005

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 416,017	\$ -	\$ -	\$ 416,017
Accounts Receivable	46,910	344,883		391,793
Due from Other Govts	100,852	563,617		664,469
Prepaid Expenses	6,340			6,340
Restricted Cash	182,729	591,092	951,960	1,725,781
Total Assets	<u>\$ 752,848</u>	<u>\$1,499,592</u>	<u>\$ 951,960</u>	<u>\$ 3,204,400</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 290,464	\$ 865,661	\$ -	\$ 1,156,125
Accrued Liabilities	14,992		-	14,992
Customer Deposits	63,908		-	63,908
Security Holdings	50,429		-	50,429
Deferred Revenues	-			0
Total Liabilities	<u>419,793</u>	<u>865,661</u>	<u>0</u>	<u>1,285,454</u>
Fund Balance:				
Reserved	182,729	633,931	951,960	1,768,620
Unreserved - Undesignated	150,326		-	150,326
Designated for future year expenditures	-		-	0
Total Fund Balance	<u>333,055</u>	<u>633,931</u>	<u>951,960</u>	<u>1,918,946</u>
Total Liabilities and Fund Balance	<u>\$ 752,848</u>	<u>\$1,499,592</u>	<u>\$ 951,960</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

18,021,286

Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

(1,686,004)

\$18,254,228

CITY OF SANTA CLARA, UTAH
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,151,462	\$ -	\$ -	\$ 1,151,462
Licenses & Permits	191,711	-	-	191,711
Intergovernmental	190,779	985,512	-	1,176,291
Charges for Services	428,604	-	-	428,604
Fines & Forfeitures	52,721	-	-	52,721
Miscellaneous	227,668	5,731	23,975	257,374
Other Revenues	51,510	-	-	51,510
Gain/Loss on Sale of Assets	191,419	-	-	191,419
Total Revenues	<u>2,485,874</u>	<u>991,243</u>	<u>23,975</u>	<u>3,501,092</u>
Expenditures:				
Current:				
General Government	564,174	-	-	564,174
Public Safety	521,277	-	-	521,277
Public Works	410,359	1,294,307	-	1,704,666
Parks, Recreation & Public Property	189,804	-	-	189,804
Community and Economic Development	18,181	-	-	18,181
Capital Outlay	1,325,584	-	311,837	1,637,421
Debt Service	-	-	-	0
Principal	22,396	-	44,840	67,236
Interest and Admin Charges	2,839	-	9,353	12,192
Total Expenditures	<u>3,054,614</u>	<u>1,294,307</u>	<u>366,030</u>	<u>4,714,951</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(568,740)</u>	<u>(303,064)</u>	<u>(342,055)</u>	<u>(1,213,859)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	629,042	629,042
Transfers Out	(629,042)	-	-	(629,042)
Loans & Lease Income	426,622	936,995	-	1,363,617
Impact Fees	-	-	427,593	427,593
Total Other Financing Sources (Uses)	<u>(202,420)</u>	<u>936,995</u>	<u>1,056,635</u>	<u>1,791,210</u>
Net Change in Fund Balances	<u>(771,160)</u>	<u>633,931</u>	<u>714,580</u>	<u>577,351</u>
Fund Balances, Beginning of Year	<u>1,104,215</u>	<u>0</u>	<u>237,380</u>	<u>1,341,595</u>
Fund Balances, End of Year	<u>\$ 333,055</u>	<u>\$ 633,931</u>	<u>\$ 951,960</u>	<u>\$ 1,918,946</u>

CITY OF SANTA CLARA, UTAH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds

\$ 577,351

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balances because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation in the current period.

634,798

Subdivider capital contributions do not provide current financial resources in the governmental funds, however these contributions are recorded as revenue in the government-wide financial statements.

858,849

Governmental funds record the gross sales price from the sale of assets as a current financial resource. However in the statement of activities the gain is adjusted for the depreciable basis.

(69,104)

Issuance of long-term debt provides current financial resources in the governmental funds, while the repayment of the long-term debt principal consumes the current financial resources of the governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(1,295,266)

Accrued interest from long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities. This is the net change.

(14,240)

Prior year deferred revenue recognized as income in the current period in the governmental funds was recognized as income in the prior year in the government-wide financial statements.

(5,793)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change.

(3,711)

Change in net assets of governmental activities

\$ 682,884

CITY OF SANTA CLARA, UTAH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2005

	Business-type Activities - Enterprise Funds			
	Water Utilities	Sewer Utilities	Electric Utilities	Totals
ASSETS				
Current Assets:				
Cash	\$ 997,522	\$ 247,591	\$ 1,704,951	\$ 2,950,064
Accounts Receivable (net)	258,586	45,107	384,773	688,466
Assessments Receivable	-	24,600	-	24,600
Inventory	-	-	109,164	109,164
Prepays	6,340	2,113	6,340	14,793
Total Current Assets	<u>1,262,448</u>	<u>319,411</u>	<u>2,205,228</u>	<u>3,787,087</u>
Noncurrent Assets:				
Restricted Cash	993,412	274,880	1,312,641	2,580,933
Deferred Bond Issue Costs	32,969	-	-	32,969
Original Issue Discount	26,248	-	-	26,248
Property, Plant & Equipment	7,551,467	1,727,032	5,657,634	14,936,133
Accumulated Depreciation	(2,646,446)	(611,093)	(2,522,488)	(5,780,027)
Total Noncurrent assets	<u>5,957,650</u>	<u>1,390,819</u>	<u>4,447,787</u>	<u>11,796,256</u>
TOTAL ASSETS	<u><u>\$7,220,098</u></u>	<u><u>\$1,710,230</u></u>	<u><u>\$6,653,015</u></u>	<u><u>\$15,583,343</u></u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 26,026	\$ 35,133	\$ 176,589	\$ 237,748
Accrued Liabilities	13,754	-	37,277	51,031
Compensated Absences	8,152	3,650	10,653	22,455
Deposits Payable	35,432	-	-	35,432
Bonds Payable - Due within one year	173,000	-	145,000	318,000
Leases Payable - Due within one year	-	21,471	-	21,471
Total Current Liabilities	<u>256,364</u>	<u>60,254</u>	<u>369,519</u>	<u>686,137</u>
Long-term Liabilities:				
Bonds Payable				
Due in more than one year	2,167,000	-	1,240,000	3,407,000
Leases Payable				
Due in more than one year	-	134,116	-	134,116
Total Long-term Liabilities	<u>2,167,000</u>	<u>134,116</u>	<u>1,240,000</u>	<u>3,541,116</u>
Total Liabilities	<u><u>\$2,423,364</u></u>	<u><u>\$ 194,370</u></u>	<u><u>\$1,609,519</u></u>	<u><u>\$ 4,227,253</u></u>
NET ASSETS				
Invested in Capital Assets, net of related debt	2,591,269	960,352	1,750,146	5,301,767
Restricted	993,412	274,880	1,312,641	2,580,933
Unrestricted	1,212,053	280,628	1,980,709	3,473,390
Total Net Assets	<u><u>\$4,796,734</u></u>	<u><u>\$1,515,860</u></u>	<u><u>\$5,043,496</u></u>	<u><u>\$11,356,090</u></u>

The notes to the financial statements are an integral part of this statement

CITY OF SANTA CLARA, UTAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Totals
	Water Utilities	Sewer Utilities	Electric Utilities	
OPERATING REVENUES				
Charges for Services	\$ 864,680	\$ 478,240	\$2,774,891	\$ 4,117,811
Other Operating Revenues	2,988	600	8,889	12,477
Total Operating Revenues	<u>867,668</u>	<u>478,840</u>	<u>2,783,780</u>	<u>4,130,288</u>
OPERATING EXPENSES				
Sewer Treatment	-	253,839	-	253,839
Electricity Purchased	-	-	1,608,339	1,608,339
Salaries & Wages	149,492	54,426	187,710	391,628
Supplies & Operating Costs	318,703	2,346	141,365	462,414
Depreciation	306,460	82,813	269,236	658,509
Payroll Taxes & Employee Benefits	52,460	20,417	67,851	140,728
Office & Department Supplies	3,439	277	1,250	4,966
Professional Services	41,044	1,410	5,845	48,299
Insurance and Surety Bonds	24,950	8,316	24,950	58,216
Miscellaneous	13,779	2,221	21,622	37,622
Franchise Fees	-	-	135,000	135,000
Billing & Administration	11,964	6,528	14,292	32,784
Total Operating Expenses	<u>922,291</u>	<u>432,593</u>	<u>2,477,460</u>	<u>3,832,344</u>
Operating Income (Loss)	(54,623)	46,247	306,320	297,944
NON-OPERATING REVENUES (EXPENSES)				
Interest Income & Penalties	32,648	11,614	70,176	114,438
Connection Fees	22,302	-	36,170	58,472
Impact Fees	583,314	12,899	550,573	1,146,786
Gain (Loss) on Disposal	3,185	479	5,572	9,236
Capital Contributions - Subdividers	318,357	350,543	-	668,900
Interest Expense	(131,094)	(6,505)	(70,599)	(208,198)
Total Non-Operating Revenues (Expenses)	<u>828,712</u>	<u>369,030</u>	<u>591,892</u>	<u>1,789,634</u>
Income Before Transfers	774,089	415,277	898,212	2,087,578
Transfers to/from Other Funds	-	-	-	-
Change in Net Assets	<u>774,089</u>	<u>415,277</u>	<u>898,212</u>	<u>2,087,578</u>
Total Net Assets - Beginning	<u>4,022,645</u>	<u>1,100,583</u>	<u>4,145,284</u>	<u>9,268,512</u>
Total Net Assets - Ending	<u>\$4,796,734</u>	<u>\$1,515,860</u>	<u>\$5,043,496</u>	<u>\$11,356,090</u>

The notes to the financial statements are an integral part of this statement

CITY OF SANTA CLARA, UTAH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Water Fund	Sewer Fund	Electric Fund	Combined Total
Cash flows from operating activities:				
Cash received from customers, service fees	\$ 879,614	\$479,179	\$ 2,767,772	\$ 4,126,565
Cash received from customers, other	2,988	600	8,889	12,477
Cash paid to suppliers	(439,663)	(273,929)	(2,110,452)	(2,824,044)
Cash paid to employees	(202,094)	(74,962)	(251,498)	(528,554)
Net Cash provided/(used) by operating activities	240,845	130,888	414,711	786,444
Cash flows from capital and related financing activities:				
Purchase of fixed assets	(569,757)	(376,316)	(436,299)	(1,382,372)
Sale of fixed assets	31,135	4,060	74,989	110,184
Principal paid on long-term debt	(166,000)	(20,735)	(135,000)	(321,735)
Interest paid	(131,094)	(6,505)	(70,599)	(208,198)
Bond Costs & Discounts	5,224	-	-	5,224
Capital contributions	318,358	350,543	-	668,901
Connection & impact fees	605,616	12,899	586,743	1,205,258
Net cash provided/(used) by capital and related financing activities	93,482	(36,054)	19,834	77,262
Cash flows from investing activities:				
Interest on investments	32,648	11,614	70,176	114,438
Net increase(decrease) in cash and cash equivalents	366,975	106,448	504,721	978,144
Cash and cash equivalents, beginning of year	1,623,959	416,023	2,512,871	4,552,853
Cash and cash equivalents, end of year	\$ 1,990,934	\$522,471	\$ 3,017,592	\$ 5,530,997
Reconciliation of operating income to net cash provided by operating activities:				
Net operating income/(loss)	\$ (54,623)	\$ 46,247	\$ 306,320	\$ 297,944
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	306,460	82,813	269,236	658,509
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	11,783	939	(7,119)	5,603
(Increase)/Decrease in inventory	-	-	2,149	2,149
(Increase)/Decrease in prepaids	(291)	(97)	(291)	(679)
Increase/(Decrease) in accounts payable	(23,973)	1,105	(157,395)	(180,263)
Increase/(Decrease) in accrued liabilities	(1,519)	-	(2,252)	(3,771)
Increase/(Decrease) in compensated absences	(142)	(119)	4,063	3,802
Increase/(Decrease) in deposits	3,150	-	-	3,150
Net cash provided/(used) by operating activities	\$ 240,845	\$130,888	\$ 414,711	\$ 786,444

The notes to the financial statements are an integral part of this statement

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The City of Santa Clara (the "City") is organized as a Mayor/Council form of government. Santa Clara is located in the southwestern part of Washington County, Utah.

Reporting entity

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Santa Clara, this includes various services including police protection, recreation (including parks), planning and zoning, street maintenance and repair, sanitation, water, sewer, electric, and general administrative services. Council directly controls the operation of each of these activities through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is not a component unit of another entity nor are there any entities that are components units of the City.

NOTE 2. Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

The Water Fund accounts for the activities of the City's water production, treatment, and distribution operation.

The Sewer Fund accounts for the revenues generated from the charges for the sanitary sewer services provided to the residential and commercial users of the City.

The Electric Fund accounts for the activities of the City's electric distribution operations.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The City had no Fiduciary Funds.

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. Measurement Focus & Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the governmental-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, innkeeper taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charged to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

D. Cash and Cash Equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's investment pool, and other investments as allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The State Treasurer's Investment Pool operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented in the financial statements as cash equivalents.

E. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". In the Water, Wastewater, and Electric funds, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2005 were estimated based on July billings and are included in the operating revenues and accounts receivable at year-end.

F. Inventories and prepaid items

Inventories of materials and supplies in the Electric Fund, consisting principally of materials used in the repair of the transmission system, are valued at cost and accounted for on a first-in, first-out basis (FIFO).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

**SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

<u>Description</u>	Governmental Activities	Business-Type Activities
	<u>Estimated Lives</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-50 years	20-50 years
Machinery & Equipment	5-20 years	5-20 years
Vehicles	5-8 years	5-8 years
Infrastructure	15-40 years	20-40 years

H. Compensated absences

For governmental funds, the amount of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds are recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. In accordance with GAAP, no liability or expense/expenditure is recorded for non-vesting accumulating rights to receive sick pay benefits.

I. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Restricted assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted sources are used first to fund appropriations.

K. Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

L. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

M. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 28,947,771
Accumulated depreciation	(10,926,485)
Total difference	<u>\$ 18,021,286</u>

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2005 were:

Fire Protection Bonds	\$ 212,000
State HB240 Flood Loan	\$ 936,995
Capital Leases	489,340
Interest Payable on long-term debt	15,462
Compensated absences	32,207
Total difference	<u>\$ 1,686,004</u>

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 1,590,471
Depreciation expense	(955,673)
Net difference as reported	<u>\$ 634,798</u>

NOTE 4. Stewardship, Compliance, and Accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Control is maintained at the function level (i.e., general government, public safety, streets, parks, etc.). All appropriations lapse at fiscal year end.

The City Council observes the following procedures in establishing the budgetary data reflected in the fund financial statements:

1. Prior to the first meeting in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared for all city funds including proprietary funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 22nd, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts with functions levels; however, to transfer budgeted amounts between function levels requires City Council approval. Any revisions that alter the total expenditures of any fund must be approved through a public hearing by the City Council and can be made at any time during the fiscal year.
5. Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus budgets for governmental funds.

B. Tax Revenues

Property taxes are collected by the Washington County Treasurer and remitted to the City in two to three installments in July, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of uncollected current

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are generally remitted on a monthly or quarterly basis. Again, an accrual has been made for all fees due and payable to the City at June 30th.

C. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2005, total fund expenditures in the general fund exceeded total fund appropriations. The following departments did have expenditures in excess of appropriations for the year:

Department	Final Appropriation	Expenditure	Excess
General Government	1,186,000	1,193,216	7,216
Public Safety	551,453	886,290	334,837
Building Ins & Planning	67,317	73,422	6,105
Swiss Days	17,100	18,181	1,081

DETAILED NOTES FOR ALL FUNDS

NOTE 5. Assets & Liabilities

A. Cash and investments

The City maintains a cash and investment pool that includes several cash accounts and one investment, which is available for use by all funds.

The City's deposit and investment policy is to follow the Utah Money Management Act. However, the City does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize the risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the City had the following deposits and investments:

<u>Deposits and Investment type</u>	<u>Fair Value</u>
Cash on Deposit	\$ 774,232
State Treasurer's investment pool	<u>6,898,262</u>
	<u>\$7,672,494</u>

Interest rate risk. The City manages its exposure to declines in fair value by only investing in the Utah Public Treasurer's Investment Fund.

Credit risk. As of June 30, 2005 the Utah Public Treasurer's Investment Fund was unrated.

Concentration of Credit Risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial Credit Risk – deposits. In the case of deposits, this is risk that in the event of a bank failure the government's deposits may not be returned to it. As of June 30, 2005, \$574,232 of the \$774,232 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

B. Deposits

Enterprise fund deposits are deposits the City requires from residential renters and any business receiving a utility connection. The deposit is returnable after 3 years for residential and 2 years for business customers upon proof of good credit performance.

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Land	1,247,996	-	(41,155)	1,206,841
Buildings	989,021	-	-	989,021
Improvements	638,668	517,592	-	1,156,260
Infrastructure	22,510,407	1,360,557	-	23,870,964
Vehicles	571,395	500,883	(12,339)	1,059,939
Equipment, etc	613,554	70,289	(19,096)	664,747
	<u>26,571,041</u>	<u>2,449,321</u>	<u>(72,590)</u>	<u>28,947,772</u>
Less accumulated depreciation	<u>(9,974,299)</u>	<u>(955,673)</u>	<u>3,486</u>	<u>(10,926,486)</u>
Net governmental capital assets	<u>16,596,742</u>	<u>1,493,648</u>	<u>(69,104)</u>	<u>18,021,286</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Water	7,013,147	569,757	(31,436)	7,551,468
Accum. Deprec.	<u>(2,343,471)</u>	<u>(306,460)</u>	<u>3,486</u>	<u>(2,646,445)</u>
Net	<u>4,669,676</u>	<u>263,297</u>	<u>(27,950)</u>	<u>4,905,023</u>
Sewer	1,354,717	376,316	(4,000)	1,727,033
Accum. Deprec.	<u>(528,700)</u>	<u>(82,813)</u>	<u>420</u>	<u>(611,093)</u>
Net	<u>826,017</u>	<u>293,503</u>	<u>(3,580)</u>	<u>1,115,940</u>
Electric	5,297,196	436,299	(75,861)	5,657,634
Accum. Deprec.	<u>(2,259,699)</u>	<u>(269,236)</u>	<u>6,445</u>	<u>(2,522,490)</u>
Net	<u>3,037,497</u>	<u>167,063</u>	<u>(69,416)</u>	<u>3,135,144</u>
Business-type activities net capital assets	<u>8,533,190</u>	<u>723,863</u>	<u>(100,946)</u>	<u>9,156,107</u>

In the government-wide financial statements, depreciation was charged as follows by program or activity:

Governmental activities:	
General government	9,829
Public safety	68,888
Public Works	819,119
Parks	<u>57,837</u>
Total depreciation expense - governmental activities	<u>955,673</u>

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Business-type activities:

Water	306,460
Sewer	82,813
Electric	<u>269,236</u>
Total depreciation expense - business-type activities	<u><u>658,509</u></u>

The City followed the procedure of capitalizing large purchases of poles, transformers, pipes, etc. in the electric enterprise fund. Many of these materials are not used immediately upon purchase, but rather kept on hand in case of an emergency need. Upon inspection of these supplies, it was deemed to be more accurate to classify these assets as inventory rather than to capitalize them. Thus, an inventory count was performed and an appropriate amount of the fixed assets were classified as inventory.

D. Long-term debt

General Obligation Bonds

The City has issued general obligation bonds to provide funds for acquisition and construction of Fire Protection facilities and equipment throughout the City. In 1995, the City issued \$285,000 in general obligation bonds. These general obligation bonds were refinanced in 2003 to take advantage of lower interest rates.

General obligation bonds (G.O. bonds) are direct obligations of the city and pledge the full faith and credit of the City. The repayments of the refinanced bonds are due in installments ranging from \$32,000 to \$39,000 thru December 1, 2010.

General obligation bonds currently outstanding at June 30, 2005, are as follows:

Governmental activities:	Interest Rates	Amount
2003 G.O. Fire Protection Bonds	1.75% to 4.00%	212,000

Annual debt service requirements to maturity for the above reflected general obligation debt is as follows:

Year Ended June 30,	Fire Protection Bonds		
	Principal	Interest	Totals
2006	33,000	6,749	39,749
2007	32,000	5,815	37,815
2008	37,000	4,734	41,734
2009	36,000	3,502	39,502
2010	35,000	2,186	37,186
2011	39,000	780	39,780
Totals	<u>212,000</u>	<u>23,766</u>	<u>235,766</u>

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Revenue Bonds

The City has also issued bonds where the revenues and assets of the issuing fund are pledged as security for the bonds. Revenue bonds outstanding and June 30, 2005, by issue are as follows:

<u>Bond Descrip.</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Amount</u>
1996A Water	\$2,750,000	\$120,000 to \$220,000	5.05% to 5.75%	2017	\$ 220,000
1996B Water	500,000	\$24,000 to \$32,000	2.67%	2017	32,000
1996C Water	238,000	\$29,000	5.00%	2006	29,000
Total Water	3,488,000				281,000
1999 Electric	2,000,000	\$145,000 to \$205,000	5.00% to 5.25%	2013	205,000
Total Business-type activities	<u>\$5,488,000</u>				<u>\$ 486,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ended</u>	<u>Electric Revenue Bonds - 1999</u>			<u>Water Construction Bonds - 1996</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	145,000	66,181	211,181	173,000	119,323	292,323
2007	150,000	58,438	208,438	149,000	110,800	259,800
2008	155,000	50,625	205,625	160,000	103,201	263,201
2009	170,000	42,500	212,500	166,000	94,864	260,864
2010	175,000	33,875	208,875	176,000	85,832	261,832
2011-2015	590,000	45,000	635,000	1,023,000	276,502	1,299,502
2016-2017	-	-	-	493,000	27,549	520,549
Total	<u>1,385,000</u>	<u>296,619</u>	<u>1,681,619</u>	<u>2,340,000</u>	<u>818,071</u>	<u>3,158,071</u>

<u>Year Ended</u>	<u>Total Revenue Bonds</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006	318,000	185,504	503,504
2007	299,000	169,238	468,238
2008	315,000	153,826	468,826
2009	336,000	137,364	473,364
2010	351,000	119,707	470,707
2011-2015	1,613,000	321,502	1,934,502
2016-2017	493,000	27,549	520,549
Totals	<u>3,725,000</u>	<u>1,114,690</u>	<u>4,839,690</u>

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Yr
Governmental activities:					
G.O. Bonds	246,000	-	(34,000)	212,000	33,000
Leases payable	97,069	425,507	(33,236)	489,340	69,813
State HB240 Loan	-	936,995		936,995	936,995
Vacation payable	28,496	32,207	(28,496)	32,207	32,207
Governmental activity long-term liabilities	371,565	1,394,709	(95,732)	1,670,542	1,072,015
	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Yr
Business-type activities:					
Revenue bonds	4,026,000	-	(301,000)	3,725,000	318,000
Leases Payable	176,322	-	(20,735)	155,587	21,530
Vacation payable	18,653	22,455	(18,653)	22,455	22,455
Business-type long-term liabilities	4,220,975	22,455	(340,388)	3,903,042	361,985

E. Leases payable

The City has entered into a number of lease agreements as lessee for financing the acquisition of equipment and land. These lease agreements qualify as capital leases for accounting purposes (title is transfers at the end of the lease terms for a nominal payment) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The following is a schedule of the assets under capital lease:

Fiscal Year Ended	Fire Truck	Park Land	Type 3 Engine	Water Tender	Total Gov Activities	Sewer Truck	Total Bus Activities
June 30, 2006	25,235	12,231	27,467	25,701	90,634	27,240	27,240
June 30, 2007	-	12,232	27,467	25,701	65,400	27,240	27,240
June 30, 2008	-	12,231	27,467	25,701	65,399	27,240	27,240
June 30, 2009	-	6,116	27,467	25,701	59,284	27,240	27,240
June 30, 2010	-	-	27,467	25,701	53,168	-	-
Thereafter	-	-	137,337	128,510	265,847	68,098	68,098
	25,235	42,810	274,672	257,015	599,732	177,058	177,058
Less amount representing interest	(1,462)	(2,750)	(54,853)	(51,327)	(110,392)	(21,471)	(21,471)
Present value of lease payments	23,773	40,060	219,819	205,688	489,340	155,587	155,587

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6. Other Information

A. Risk management

The City maintains insurance for general liability, auto liability, worker's compensation, and employee dishonesty through Utah Local Government's Insurance Trust.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined as this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Jointly governed organization

The City in conjunction with 38 other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board comprise of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electrical utility fund purchased power totaling \$1,639,620 during the fiscal year ended June 30, 2005.

D. Commitments/subsequent events

The City is committed to participate in the Regional Water Line Project. The City incurred \$5,958 in costs during the current audit period and their future ownership costs are expected to be \$1,486,897 or \$64,648 annually for 23 years.

The City is a member of the Utah Associated Municipal Power Systems (UAMPS), a political subdivision of the State of Utah created to secure electric power for the members of UAMPS. As a member, the City has entered into power supply agreements with respect to various projects in which UAMPS participates. The Total cost of the power the City will be required to purchase in future is not determinable, however, at a minimum, in connection with these power supply agreements, the City will be required to fund debt service on the UAMPS bonds which, at June 30, 2005 had an outstanding balance of \$13,956,024.

Congress has passed legislation requiring arsenic levels in water supplies to be much lower than the City currently maintains. Compliance with the new levels takes affect in the 2005-2006 fiscal year. At this time, costs to the City are not ascertainable. The City has taken steps to comply with the legislation by participating in the regional water line project. The City's plan is

**SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

to mix water from the regional water line project with existing water sources to bring arsenic levels to an acceptable level.

The City has posted a \$250,000 cash bond at State Bank of Southern Utah that is dedicated to the performance of the contract with the Utah Division of Parks and Recreation for the construction of Well #7.

Congress has passed legislation that requires Cities and Towns to develop a storm water master plan and implement the merits of the plan. This could put a tremendous burden on the City. The costs to plan and implement these new requirements are not ascertainable at this time.

Congress has also passed homeland security legislation requiring the City to assess the security for the water system and for the power system. The City has completed its risk assessment. The total cost of implementation is not ascertainable at this time.

The City is committed to participate in the Payson Power Project. The commitment to the City is estimated to be \$1,300,000. The City has made a down payment on the project of \$300,000.

The City passed a resolution authorizing the issuance and sale of not more than \$2,400,000 aggregate principal amount of water and revenue refunding bonds, series 2006.

On January 10, 2005 a major 100-year flood along the Santa Clara River occurred. The City incurred over \$7 Million dollars in flood damages to its public facilities and a State of Emergency was declared. This allowed the Federal Emergency Management Agency (FEMA) to designate the area eligible for assistance. The Federal Emergency Management Agency (FEMA) agreed to cover 75% of the eligible costs. In order for the City to cover the remaining costs they received a State HB240 (Disaster Loan) in the amount of \$936,995. The loan is due May 6, 2006 including interest at 2%. There is the possibility that the State could forgive a portion of the loan. To the extent the loan is forgiven, it would be considered a grant. The amount of forgiveness is not ascertainable at this time.

E. Uses of impact fees

The City collects on each building permit issued, various impact fees restricted as to their use. In order to comply with legislation passed by the Utah State legislature, disclosures are made as to the revenues collected and disbursements made for the various fees.

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

General Impact Fee Fund

	<u>Street Impact</u>	<u>Park Impact</u>	<u>Flood / Storm Drain Impact</u>	<u>Public Safety Impact</u>
Revenues:				
Impact fees collected	143,646	153,500	90,367	40,080
Interest income	3,547	716	537	1,139
Total revenues	<u>147,193</u>	<u>154,216</u>	<u>90,904</u>	<u>41,219</u>
Expenditures:				
Debt service	-	12,378	-	41,814
Improvements	149,999	141,838	20,000	-
Total expenditures	<u>149,999</u>	<u>154,216</u>	<u>20,000</u>	<u>41,814</u>
Increase (Decrease) in Fund Balance	(2,806)	-	70,904	(595)
Beginning fund balance	<u>201,177</u>	<u>-</u>	<u>5,777</u>	<u>(4,340)</u>
Ending fund balance	<u>198,371</u>	<u>-</u>	<u>76,681</u>	<u>(4,935)</u>

Enterprise Funds

	<u>Water Impact</u>	<u>Sewer Impact</u>	<u>Electric Impact</u>
Revenues:			
Impact fees collected	567,000	6,161	528,500
Interest income	16,314	6,738	22,073
Total revenues	<u>583,314</u>	<u>12,899</u>	<u>550,573</u>
Expenditures:			
Debt service	293,383	-	208,531
Improvements	-	-	-
Total expenditures	<u>293,383</u>	<u>-</u>	<u>208,531</u>
Increase (Decrease) in Fund Balance	289,931	12,899	342,042
Beginning fund balance	<u>416,004</u>	<u>261,982</u>	<u>770,599</u>
Ending fund balance	<u>705,935</u>	<u>274,881</u>	<u>1,112,641</u>

F. Employee retirement systems and pension plans

All fulltime employees of the City participate in the Utah State-Wide Local Government Retirement Systems (Systems).

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the state legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, and Firefighters Retirement System which are for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 34102 or by calling 1-800-365-8772.

Funding Policy: In the Local Governmental Noncontributory Retirement System, Santa Clara City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board as authorized by Chapter 49.

The required contributions and amounts received for the 2002/2003 fiscal year and the three previous years are as follows:

System	Year	Employee Paid Contributions	Employer Paid for Employee Contributions	Employer Contributions	Salary Subject to Retirement Contributions
Local Governmental - Noncontributory	2005	N/A	N/A	91,740	827,231
	2004	N/A	N/A	73,394	762,930
	2003	N/A	N/A	60,582	697,144
	2002	N/A	N/A	50,434	615,052
401(k) Contributions - Defined Contribution	2005	13,874	9,314	N/A	
	2004	8,457	0	N/A	
	2003	9,218	0	N/A	
	2002	8,429	0	N/A	

The contributions were equal to the required contributions for each year.

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

G. Reserves and Designated Fund Balances

Reserves and designations are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. At June 30, 2005, the City of Santa Clara's reserved fund balances are as follows:

<u>General Fund</u>		<u>Water Fund</u>	
Swiss Days - restricted	9,654	Bond Reserves	287,477
Princess Pagent - restricted	1,019	Impact Fees	705,935
C Roads - restricted	110,311	Total Water Fund	<u>993,412</u>
Debt Service - restricted	61,745		
Total General Fund	<u>182,729</u>	<u>Sewer Fund</u>	
<u>Special Revenue Funds</u>		Impact Fees	274,880
Street Impact Fees	198,371	Total Sewer Fund	<u>274,880</u>
Park Impact Fees	-	<u>Electric Fund</u>	
Public Safety Impact Fees	(4,935)	Bond Reserves	200,000
Flood/Storm Impact Fees	76,681	Impact Fees	1,112,641
Special Improvement District	39,205	Total Electric Fund	<u>1,312,641</u>
Flood Damage 2005	633,931		
Total Special Revenue	<u>943,253</u>		

At June 30, 2005, the City of Santa Clara's restricted fund balances are as follows:

Capital Projects Fund	
Streetscape - restricted	286,652
New City Hall - restricted	354,708
Total Capital Projects Fund	<u>641,360</u>

H. Sewer, Water, Garbage and Electrical Contracts

The City has entered into various contracts for its Sewer, Water, Garbage and Electric Utility Funds. A few of the more significant contracts are as follows:

The City has entered into a 25-year wastewater service contract with St. George City, expiring April, 2012. St. George City provides the use of a connecting system to transport the City's wastewater to the St. George City treatment plant where it is treated for the City in exchange for a monthly service charge.

The City has also entered an interlocal agreement (Snow Canyon Water Project Interlocal Compact) wherein the City reimburses their share of operating and maintenance costs to St. George City based upon Santa Clara City's proportionate ownership/usage of water.

The City also has a solid waste collection and disposal contract with Washington County Special Service District No.1 (the District). The contract provides for Laidlaw Waste Systems, a

SANTA CLARA CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

subcontractor, to collect and dispose of residential and commercial solid waste within the City. In connection with the agreement, the City is responsible for the monthly billing, collection, and payment of residential collections to the District.

Additionally, as a member of Utah Associated Municipal Power Systems (UAMPS), the City has entered into the San Juan Power Sales Contract (the Power Sales Contract) in order to obtain a long-term supply of firm electric energy for the City. The City purchases electricity from UAMPS in exchange for monthly usage fees based on kilowatt hours used.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SANTA CLARA, UTAH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>			Variance with
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>Final Budget</u>
				<u>POS (NEG)</u>
REVENUES:				
Taxes:				
General Property Taxes	\$ 335,278	\$ 335,278	\$ 342,460	\$ 7,182
Prior Year's Delinquent Taxes	11,572	11,572	19,555	7,983
General Sales & Use Taxes	385,853	385,853	493,683	107,830
Franchise Taxes	104,458	122,376	160,764	38,388
Total Taxes	837,161	855,079	1,016,462	161,383
Licenses & Permits:				
Business Licenses & Permits	10,400	10,400	12,875	2,475
Non-business Licenses & Permits	94,900	124,900	178,836	53,936
Total Licenses & Permits	105,300	135,300	191,711	56,411
Intergovernmental Revenues:				
Federal & State Grants	80,901	282,896	17,457	(265,439)
Class "C" Roads	201,000	201,000	171,239	(29,761)
State Liquor Allotment	1,000	1,000	2,083	1,083
Total Intergovernmental Revenues	282,901	484,896	190,779	(294,117)
Charges for Services:				
Refuse Collection	194,368	194,368	204,745	10,377
Storm Drain Fees	57,600	57,600	42,201	(15,399)
Public Safety	29,000	31,715	62,835	31,120
Parks & Public Property	5,100	5,100	10,401	5,301
Cemetery	16,000	16,000	14,743	(1,257)
Other	10,000	10,000	80,434	70,434
Total Charges for Services	312,068	314,783	415,359	100,576
Fines and Forfeitures:				
Court Fines & Forfeitures	54,000	54,000	52,721	(1,279)
Miscellaneous:				
Interest	27,500	27,500	11,489	(16,011)
Administrative Service Revenue	32,784	32,784	32,784	0
Community Development	18,650	18,650	18,726	76
Other	5,000	170,563	599,113	428,550
Total Miscellaneous	83,934	249,497	662,112	412,615
Total Revenues	1,675,364	2,093,555	2,529,144	435,589
Other Financing Sources:				
Sales of Capital Assets	12,000	175,000	191,419	16,419
Capital Leases	26,000	26,000	43,688	17,688
Contributions	0	13,200	13,245	45
Appropriated Fund Balance	128,097	448,791	0	(448,791)
Transfers from Other Funds	175,000	175,000	135,000	(40,000)
Total Other Financing Sources	341,097	837,991	383,352	(454,639)
Total Revenues & Other Financing Sources	\$2,016,461	\$2,931,546	\$2,912,496	\$ (19,050)

CITY OF SANTA CLARA, UTAH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET & ACTUAL
(continued)
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS			Variance with
	ORIGINAL	FINAL	ACTUAL	Final Budget
				POS (NEG)
EXPENDITURES:				
General Government	\$ 541,658	\$ 1,186,000	\$ 1,193,216	\$ (7,216)
Public Safety				
Judicial	37,246	37,246	34,834	2,412
Law Enforcement	526,218	551,453	886,290	(334,837)
Building Inspection	67,317	67,317	73,422	(6,105)
Total Public Safety	630,781	656,016	994,546	(338,530)
Highways & Public Improvements				
Public Works	455,323	785,558	773,415	12,143
Total Highways & Public Improvements	455,323	785,558	773,415	12,143
Parks, Recreation & Public Property				
Parks, Trails & Cemetery	344,364	884,364	679,063	205,301
Swiss Days	17,100	17,100	18,181	(1,081)
Princess Pagent	2,000	1,550	0	1,550
Total Parks, Recreation & Public Property	363,464	903,014	697,244	205,770
Debt Service: Capital Leases	25,235	-	25,235	(25,235)
TOTAL EXPENDITURES & OTHER USES	2,016,461	3,530,588	3,683,656	(153,068)
Net Change in Fund Balance	-	(599,042)	(771,160)	(172,118)
Fund Balance at Beginning of Year	670,781	670,781	1,104,215	
Fund Balance at End of Year	\$ 670,781	\$ 71,739	\$ 333,055	

CITY OF SANTA CLARA, UTAH
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET & ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS			Variance with
	ORIGINAL	FINAL	ACTUAL	Final Budget POS (NEG)
REVENUES:				
Intergovernmental Revenues:				
Federal & State Grants	0	1,807,416	985,512	(821,904)
State HB240 Loan	0	936,995	936,995	0
Interest Income	0	0	5,731	5,731
Total Intergovernmental Revenue	0	2,744,411	1,928,238	(816,173)
Total Revenues	\$ -	\$2,744,411	\$1,928,238	\$ (816,173)
EXPENDITURES:				
Flood Damage				
Sewer Line Reconstruction	0	830,506	621,319	209,187
Old Highway 91 Restruction	0	438,635	263,418	175,217
Chapel Protective Dike	0	105,765	79,187	26,578
Summerwood/Chapel Road Repair	0	100,000	1,143	98,857
Old Farm Road A & B	0	91,696	103,492	(11,796)
Hazardous Material Removal	0	75,000	175	74,825
NRCS Work	0	75,000	7,571	67,429
Other Projects	0	235,508	218,002	17,506
TOTAL EXPENDITURES	-	1,952,110	1,294,307	657,803
Net Change in Fund Balance	-	792,301	633,931	(1,473,976)
Fund Balance at Beginning of Year	0	0	0	
Fund Balance at End of Year	\$ -	\$ 792,301	\$ 633,931	

ADDITIONAL SUPPLEMENTAL INFORMATION

CITY OF SANTA CLARA, UTAH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005

	Special Revenue Funds		Capital	Total
	Special Improvemen	Impact	Projects	Nonmajor
	District	Fees	Fund	Gvttl. Funds
ASSETS				
Cash	\$ -	\$ -		\$ -
Accounts Receivable	-	-		-
Restricted Cash	39,204	271,396	641,360	951,960
TOTAL ASSETS	<u>\$ 39,204</u>	<u>\$ 271,396</u>	<u>\$ 641,360</u>	<u>\$ 951,960</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deferred Revenue	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
Fund Balance:				
Restricted/Reserved	39,204	271,396	641,360	951,960
Unrestricted	-	-	-	-
Total Fund Balance	<u>39,204</u>	<u>271,396</u>	<u>641,360</u>	<u>951,960</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 39,204</u>	<u>\$ 271,396</u>	<u>\$ 641,360</u>	<u>\$ 951,960</u>

CITY OF SANTA CLARA, UTAH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Non-major Govtl Funds</u>
	<u>Special Improvement District</u>	<u>Impact Fees</u>		
Revenues:				
Special Assessments	\$ 5,793	\$ -	\$ -	\$ 5,793
Interest Income	5	5,860	12,318	18,183
Total Revenues	<u>5,798</u>	<u>5,860</u>	<u>12,318</u>	<u>23,976</u>
Expenditures:				
Capital Outlay	-	311,837		311,837
Debt Service				
Principal	-	44,840		44,840
Interest and Admin Charges	-	9,353		9,353
Total Expenditures	<u>-</u>	<u>366,030</u>	<u>-</u>	<u>366,030</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,798</u>	<u>(360,170)</u>	<u>12,318</u>	<u>(342,054)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	629,042	629,042
Transfers Out	-	-		-
Impact Fees	-	427,592		427,592
Total Other Financing Sources	<u>-</u>	<u>427,592</u>	<u>629,042</u>	<u>1,056,634</u>
Net Change in Fund Balances	<u>5,798</u>	<u>67,422</u>	<u>641,360</u>	<u>714,580</u>
Fund Balances, Beginning of Year	<u>33,406</u>	<u>203,974</u>	<u>-</u>	<u>237,380</u>
Fund Balances, End of Year	<u>\$ 39,204</u>	<u>\$ 271,396</u>	<u>\$ 641,360</u>	<u>\$ 951,960</u>

CITY OF SANTA CLARA, UTAH
 SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION OF
 GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY
 AS OF JUNE 30, 2005

<u>FUNCTION AND ACTIVITY</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Office</u>	<u>Vehicles</u>	<u>Improvements</u>	<u>Infrastructure</u>	<u>Equipment</u>
General Government:								
Administration	\$ 796,617	\$ 455,512	\$161,884	\$110,335	\$ -	\$ -	\$ -	\$ 68,886
Total general government	<u>796,617</u>	<u>455,512</u>	<u>161,884</u>	<u>110,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,886</u>
Public Safety:								
Police & fire protection	1,535,526	-	483,637	-	927,322	-	-	124,567
Total public safety	<u>1,535,526</u>	<u>-</u>	<u>483,637</u>	<u>-</u>	<u>927,322</u>	<u>-</u>	<u>-</u>	<u>124,567</u>
Public Works:								
Parks	2,208,407	555,047	343,500	-	50,405	1,156,260	-	103,195
Streets	24,249,053	196,282	-	-	82,212	-	23,712,795	257,764
Storm drain	158,168	-	-	-	-	-	158,168	-
Total public works	<u>26,615,628</u>	<u>751,329</u>	<u>343,500</u>	<u>-</u>	<u>132,617</u>	<u>1,156,260</u>	<u>23,870,963</u>	<u>360,959</u>
Total governmental fund capital assets allocated to function	<u>\$28,947,771</u>	<u>\$1,206,841</u>	<u>\$989,021</u>	<u>\$110,335</u>	<u>\$1,059,939</u>	<u>\$1,156,260</u>	<u>\$23,870,963</u>	<u>\$554,412</u>

CITY OF SANTA CLARA, UTAH
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2005

<u>FUNCTION AND ACTIVITY</u>	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
General Government:				
Administration	\$ 837,772	-	(41,155)	\$ 796,617
Total general government	<u>837,772</u>	<u>-</u>	<u>(41,155)</u>	<u>796,617</u>
Public Safety:				
Police & fire protection	1,062,257	473,269	-	1,535,526
Total public safety	<u>1,062,257</u>	<u>473,269</u>	<u>-</u>	<u>1,535,526</u>
Public Works:				
Parks	1,615,592	592,815	-	2,208,407
Streets	22,969,683	1,310,805	(31,435)	24,249,053
Storm drain	85,737	72,431	-	158,168
Total public works	<u>24,671,012</u>	<u>1,976,051</u>	<u>(31,435)</u>	<u>26,615,628</u>
Total governmental fund capital assets	<u>\$26,571,041</u>	<u>2,449,320</u>	<u>(72,590)</u>	<u>\$28,947,771</u>

SANTA CLARA CITY
OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2005

The Water System Revenue Bond Resolution and the Electric System Bond Resolution set forth certain covenants and restrictions. The City of Santa Clara is in compliance with all covenants and restrictions for the Water System Bond and the Electric System Bond Resolution requirements. Adequate funds are available in both the water fund and the electric fund for reserve requirements.

Additional disclosures required by the Resolutions are:

	<u>Water</u>	<u>Sewer</u>
a. Number for connections within the boundaries of the City at June 30, 2005	1,694	1,646
b. Total billings for the fiscal year ended June 30, 2005	754,092	480,611
c. Water rates for fiscal year ended June 30, 2005 are as follows:		
0 to 9,000 gallons	\$20.00 per month	
9,001 to 19,000 gallons	\$.80 per 1,000 gallons	
19,001 to 24,000 gallons	\$1.00 per 1,000 gallons	
24,001 to 29,000 gallons	\$1.25 per 1,000 gallons	
over 29,000 gallons	\$1.50 per 1,000 gallons	
d. Monthly billing rate for sewer usage	\$24.35 Individual \$25.60 Commercial	

**SANTA CLARA CITY
OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2005**

e. Insurance coverage in effect at June 30, 2005:

<u>Type</u>	<u>Policy Number</u>	<u>Effective</u>	<u>Expires</u>	<u>Limits</u>
Coverage with Utah Local Governments Trust:				
General Liability	TGL337	12/15/1990	Continuous	\$5,000,000
Auto Liability	TGL337	12/15/1990	Continuous	\$5,000,000
Coverage with Unigard Insurance Group through Utah Local Governments Insurance Trust:				
Automobile PD Coverage	BA900004	7/1/2004	7/1/2005	\$1,568,268
Coverage with CNA Surety				
Fidelity Blanket Bonds	58461366	8/1/2003	8/1/2006	\$ 40,000
Mayor/Recorder Bonds	58461367	8/1/2003	8/1/2005	\$ 66,000
Treasurer Bond	68533585	1/1/2004	1/1/2006	\$ 300,000
Coverage with Unigard Insurance Company through Utah Local Governments Trust:				
Property Coverage:				
Accidental				
Buildings	PX809764	7/1/2004	7/1/2005	\$8,165,800
Contents	PX809764	7/1/2004	7/1/2005	\$ 375,734
Contractors				
Equipment	PX809764	7/1/2004	7/1/2005	\$ 235,727
EDP	PX809764	7/1/2004	7/1/2005	\$ 25,000
Equipment in the open	PX809764	7/1/2004	7/1/2005	\$1,924,816
Miscellaneous Equipment	PX809764	7/1/2004	7/1/2005	\$ 389,750

SINGLE AUDIT SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
City Council
Santa Clara City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Clara City, Utah as of and for the year ended June 30, 2005, which collectively comprise Santa Clara City, Utah's basic financial statements and have issued our report thereon dated November 9, 2005. We conducted our audit in accordance with auditing standards generally in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit, we considered Santa Clara City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Santa Clara City, Utah in a separate letter dated November 9, 2005.

As part of obtaining reasonable assurance about whether Santa Clara City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Santa Clara City, Utah in a separate letter dated November 9, 2005.

This report is intended solely for the information and use of the audit committee, management and City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


SAYAGE, ESPLIN & RADMALL, PC
November 9, 2005

The accompanying notes are an integral part of this schedule

CITY OF SANTA CLARA, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security:			
Public Assistant Grant	97.036		\$692,546
Flood Mitigation Assistance	97.029		<u>282,649</u>
Total U.S. Department of Homeland Security			975,195
U.S. Department of the Interior: Land & Water Conservation Fund Grant	15.916		<u>9,177</u>
Total Expenditures of Federal Award			<u>\$984,372</u>

CITY OF SANTA CLARA, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S Department of Homeland Security:			
Public Assistant Grant	97.036		<u>\$692,546</u>
Total U.S. Department of Homeland Security			<u>692,546</u>
U.S. Department of Transportation			282,649
National Parks Service			9,177
Total Expenditures of Federal Award			<u>\$984,372</u>

CITY OF SANTA CLARA, UTAH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Santa Clara City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Sub-recipients

Santa Clara City provided no federal awards to sub-receipients.

CITY OF SANTA CLARA, UTAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness identified? ☐ yes ☒ no

Reportable conditions identified that are not
Considered to be material weaknesses? ☒ yes ☐ no

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weaknesses identified? ☐ yes ☒ no

Reportable conditions identified that are not
Considered to be material weaknesses? ☐ yes ☒ no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
97.36	Public Assistant Grant

Dollar threshold used to distinguish between
type A and type B programs: \$300,000

CITY OF SANTA CLARA, UTAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Section I – Summary of Auditor's Results (Continued)

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No findings or questioned costs were reported.

**Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and City Council
Santa Clara, Utah

Compliance

We have audited the compliance of City of Santa Clara, Utah, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. City of Santa Clara, Utah's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Santa Clara, Utah's management. Our responsibility is to express an opinion on City of Santa Clara, Utah's compliance based on our audit.

We conduct our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Santa Clara, Utah's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Santa Clara, Utah's compliance with those requirements.

In our opinion, City of Santa Clara, Utah, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

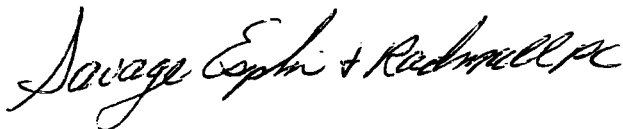
Internal Control Over Compliance

The management of City of Santa Clara, Utah, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Santa Clara, Utah's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing

procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Savage Esplin & Radmall".

Savage, Esplin & Radmall

November 9, 2005

**INDEPENDENT AUDITORS' REPORT
ON STATE LEGAL COMPLIANCE**

The Honorable Mayor and
City Council
Santa Clara City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Clara City, Utah for the year ended June 30, 2005, and have issued our report thereon dated November 9 2005. As part of our audit, we have audited Santa Clara City's compliance with the requirements governing types of services allowed or unallowed: eligibility; matching, level of effort, or earmarking; report; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance program from the State of Utah:

C Road Funds (Department of Transportation)

Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation & Property Tax Limitations
- Justice Court
- Liquor Law Enforcement
- Class C Road Funds
- Other General Issues
- Impact Fees
- Uniform Building Code Standards
- Transient Room Tax

The management of Santa Clara City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable financial audits contained in *Government Auditing Standards*, issued We conducted our audit in accordance with auditing standards generally accepted in the United States of by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

**INDEPENDENT AUDITORS' REPORT
ON STATE LEGAL COMPLIANCE
Page 2**

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Santa Clara City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



SAVAGE, ESPLIN & RADMALL, PC
November 9, 2005

CITY OF SANTA CLARA, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Findings & Recommendations

The Honorable Mayor and
City Council
Santa Clara City, Utah

In planning and performing our audit of the basic financial statements of Santa Clara City, for the year ended June 30, 2005, we noted a few areas needing corrective action in order for the City to be in compliance with State laws and regulations. We also found a few circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

State compliance findings and recommendations:

1. **Finding:** A few departments in the General Fund exceeded their budgetary expenditures.

Recommendation:

We commend the overall budgeting effort and recommend that management and department heads continue to work together to keep expenditures within appropriations.

Other findings and recommendations:

2. **Finding:** In some instances, cell phones are being used for personal purposes.

Recommendation:

We recommend that clear policies are in place regarding the use of cell phones for personal purposes and that management sees that the policies are being followed.

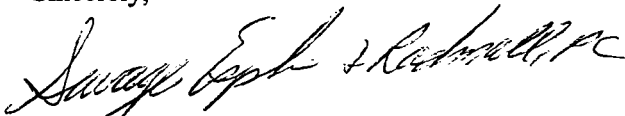
Response

Please respond to the above findings in numerical order so they can be attached with this document and mailed to the State Auditor in accordance with state law.

This report is intended solely for the information and use of the City Council, management, and others with the Utah State Auditor's Office. This restriction is not intended to limit distribution of this report, which is a matter of public record.

It has been a pleasure to be of service to the City this past year. We appreciate the help we have received from the employees who have assisted us in this year's audit. We would encourage you to ask questions of us throughout the year as they arise.

Sincerely,



Savage Esplin & Radmall, PC
November 9, 2005

"The Jewel of Utah's Dixie"



Mayor
Dennis Drake

City Manager
Matthew J. Brower

City Council
Bruce Anderson
Herb Basso
Clark Gubler
Mary Jo Hafen
Rick Rosenberg

December 29, 2005

Utah State Auditor's Office
PO Box 142310
Salt Lake City, UT 84128-4620

Re: Management Letter Response

Ladies and Gentlemen:

This letter is in regards to the findings & recommendations made by our independent auditor's, Savage Esplin & Radmall, PC, for the audit of Santa Clara City as of June 30, 2005.

1. Finding: A few departments in the General Fund exceeded their budgetary expenditures.

Response: We review and monitor the actual expenditures very closely and amend our budget when necessary. There were a few payables that came in after June 30 that we were not aware of that made the actual expenditures exceed the budget. The City intends to initiate an encumbrance system in association with our purchasing software to better track payables. Also, the City executed several capital leases for new equipment without including the total amount of the leases in the budget amendment—only the lease payment amounts were included in the budget amendment.

2. Finding: In some instances, cell phones are being used for personal purposes.

Response: The City has already begun soliciting model ordinances from sister communities to use as a framework for establishing a new cell phone usage policy. It is anticipated that a new cell phone usage policy will be reviewed and approved by the City Council in the next month or two.

If you have any questions, please let me know.

Sincerely,
SANTA CLARA CITY


Matthew Brower
City Manager

2721 Santa Clara Drive, Santa Clara, Utah 84765

Phone (435) 633-6313 Fax (435) 633-7229

"The Jewel of Utah's Dixie"



Mayor
Dennis Drake

City Manager
Matthew J. Brower

City Council
Bruce Anderson
Herb Basso
Matthew J. Ence
Mary Jo Hafen
Rick Rosenberg

March 1, 2006

MacRay A. Curtis, CPA
Director, Local Government Division
Office of the State Auditor
State of Utah
Utah State Capitol Complex
East Office Building, Suite E310
PO Box 142310
SLC, Utah 84114-2310

Re: Corrective Action Plan

Dear Mr. Curtis:

I'm in receipt of your correspondence dated January 23, 2006 requesting the City prepare and submit a corrective action plan to address an area of repeated noncompliance identified in the Findings & Recommendations letter included with the annual audit. After review of the Findings & Recommendations from past audit years, the area of noncompliance appears to refer to the exceeding of budgetary expenditures by one or more departments.

An in-depth review of the budgetary expenditures for FY ending June 30, 2004 and June 30, 2005 revealed that 98% and 96% of the budgetary expenditures that exceeded authorized appropriation levels for the respective years was due primarily to an oversight in applying generally accepted accounting principles (GAAP) as they relate to properly posting transactions stemming from the trading of City owned land for another piece of land and executing capital leases for new equipment.

For example, in FY ending June 30, 2004, the City traded land for another piece of land and did not include the fair market value of the traded property as revenue or expense in the budget amendment. Additionally, in FY ending June 30, 2005, the City executed two leases for new equipment without including the total amount of the leases in the budget amendment—only the lease payment amounts were included in the budget amendment.

In future transactions of similar nature the City will endeavor to properly account for the proper budgetary postings via critical analysis of the application of generally accepted accounting principles and, if necessary, consultation with City's auditors.

Moreover, the City has recently implemented an encumbrance system that will greatly assist in accounting for City obligations; thereby, permitting greater assurances that departmental budgets will not exceed authorized budgetary appropriation levels.

Should you have any questions, comments or concerns regarding the corrective action plan, please contact me at your convenience.

Sincerely,

A handwritten signature in dark ink, appearing to read "Matthew Brower", is written over a horizontal line.

Matthew Brower
City Manager

CC: Savage, Esplin & Radmall, CPAs
Mayor
Council